Residential Flats Market in India: A Study on Hyderabad Market

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Abstract
A country’s economic performance has direct repercussions on how its real estate market behaves. This is especially true for the residential property segment. More prosperity resonates higher financial confidence among home buyers, and this leads to a greater demand for homes. However, over the last two years, India has been battling various economic issues such as rising fiscal deficit, a falling rupee and increasing food inflation which have adversely hit the performance of the real estate sector of the country. Present study aimed to investigate the trends of residential flats market in India with focus on Hyderabad.

Keywords: Residential Flats; Real Estate; Supply; Demand; Infrastructure

Introduction
Growing population in India has put pressure on limited infrastructure which may crash under the burden of the weight of its population any time. Growing population would put more pressure on existing housing sector. The residential markets of the top six cities in India, namely Mumbai, National Capital Region (NCR), Bengaluru, Pune, Chennai and Hyderabad, have been witnessing extreme volatility in terms of demand and supply over the last two years. While the residential market showed signs of recovery in 2012 and 2013, there was a sudden drop in new launches and absorption from 2013 onwards. Factors like a slowing economic growth, rising interest rates by banks, high inflation and the weak rupee, among others, contributed towards building a negative sentiment among home buyers and resulting in a dwindling sales volume. While new launches fell by 32% in 2014 compared to 2013, the sales volume dropped by 27% during the same period. All the cities witnessed a steep fall in absorption, in the range of 14-37% during 2014. Hyderabad city has a driving demand for residential flats market. In the recent years real estate sector has shown growth with favorable factors such as: Planned infrastructure growth and pushing capital values, launch of metro line with well connected networks, establishments of IT parks and educational institutions. The residential realty market which witnessed a prolonged slump since 2009 due to various factors like the global recession as well as the political uncertainty surrounding the bifurcation of the state is going through a gradual phase of recovery at the moment. Since Hyderabad has a sizable population of migrants, particularly IT/ITes professionals, the rental housing market is very prominent in the city.

Objectives of the Study
Following are prime objectives of present study
1. To study the residential flats market in India
2. To study the supply and demand of residential flats at Hyderabad market.
3. To study the area wise residential flats market at Hyderabad.

Scope of the Study
Hyderabad city’s real estate market, both residential and commercial, is primarily driven by the IT sector. The study is restricted to specific areas namely Chandanagar, Gopanapally, Narsing, Moosapet, Whitefield, Tellapur, Yapral and Tolichowki in Hyderabad city only. Hyderabad City has tremendous potential because, which is no doubt an economically richest and cosmopolitan city, people of various religions, languages, cultural backgrounds and demographic and socioeconomic characteristics live in this area.

Research Methodology
The research design which has been formed for this research is descriptive research design. The nature of data which is collected and used for this research article is secondary. The relevant and required data are collected from secondary sources such as text books, national as well as international articles, news magazines and related websites etc.

Need for the Study
This paper makes an attempt to study the residential flats market in India with focus on Hyderabad. This information can be utilized by marketers in their favor to win the hearts of the consumers and minimize the gap between supply and demand of residential flats in the market.

Residential Flats Market in India
The total new housing demand will be nearly 12 million units (Cushman & Wakefield (C&W) in the next five years (2013-17). This is based on the estimated growth
of population across India and in major 8 cities like New Delhi, Mumbai, Kolkata, Ahmedabad, Pune, Bengaluru, Chennai and Hyderabad. Middle Income Group (MIG) and Higher Income Group (HIG) categories constitute majority of the demand at 2.5 million units. Demand for Lower Income Group (LIG) will be relegated to a mere 300,000 units in these 8 cities, due to increase in housing and income standards that are expected to be witnessed in these key economic centers of India.

The gap between cumulative supply and demand (in MIG and HIG categories), in the period of 2013 – 2017, is estimated to be approximately 45% in the top eight cities where demand is higher than supply. Most cities are facing a short fall of supply especially in the mid end segments, leading the gap in demand and supply, as developers are less keen on smaller ticket prices on account of high land costs, surmounting construction costs and reduced profitability. Further, financing large scale projects are also becoming a challenge for developers as financial institutions are wary of lending to the real estate sector going by the directive from RBI and Securities and Exchange Board of India (SEBI) (See Figure No:1)

After more than three years of spectacular house price rises, India’s property market continues its downward trend, mainly due to high interest rates on home loans and slower economic growth. Residential property prices are now falling in most cities in real terms (given India’s high inflation, it is important to distinguish nominal price rises from real price rises). Nominal house prices rose in 13 cities (out of the 26 cities covered by National Housing Bank (NHB) Residex figures) during the year to Q1 2014, while the remaining 13 cities have seen their nominal house prices fall. But when adjusted for inflation, house prices actually fell in 21 cities, whereas only 5 cities experienced price increases. (See figure no: 2&3)

Indian buyers usually pay for apartments before construction has been completed. Many buyers do not take out mortgage loans. As a result, the ratio of housing loans to GDP is very low. In 2012, housing loans in India were only around 4.14% of GDP. The leading mortgage lender is the Housing Development Finance Corporation (HDFC) followed by the State Bank of India (SBI).
Total housing loans in India were around INR 4,033.78 billion (US$ 63.36 billion) in 2012, up by 12.3% from INR 3,590.67 billion (US$ 56.40 billion) a year earlier.

Interest rates at major banks and financial institutions range from 9.95% to around 11.10%, while fixed-rate mortgages are at 11.50% to around 13%. The loan to value (LTV) ratio of most Indian homes should not exceed 80%, according the RBI. However, according to RBI’s Master Circular dated July 1, 2013, as of June 21, the following LTV ratios are now maintained by banks. (See figure no: 2 &3)

**Hyderabad Residential Flats Market**

**Demand and Supply Analysis:** Residential flats up to Rs.20 lakh and Rs.20-40 lakh budget ranges witnessed healthy demand in the city. When compared to the previous quarter (Oct-Dec 2014), the former category saw consistent demand while the latter category saw a jump in demand by 2%. Demand in the Jan-Mar 2015 quarter stood at 37%. Availability of properties in the less than Rs.20 lakh budget dropped by 3% while in the Rs.20-40 lakh budget it remained consistent at 25%. The up to Rs.20 lakh budget witnessed an oversupply whereas the Rs.20-40 lakh budget remained under supplied by 12%. (See Figure No:4 &5)
Residential Flats Market at Hyderabad (Selected Areas)

The improving realty market of Hyderabad contributed 14% to the total unit launches across top eight cities during the first quarter of 2015. In the next five years (2013 – 17), Hyderabad is expected to see an additional demand of close to 262,000 residential units in the mid and high-end categories. Of this total demand, mid-ranged is expected to be approximately 65%. Steady growth in the services sector, mostly driven by IT/ITeS has contributed to the influx of people to the city. Hyderabad saw a surge in high-end segment launches of about 3,300 units out of which about 98% were in the north west of the city according to research by Cushman & Wakefield. The initiatives being taken by the government for attracting IT employees is the main driving force for launches in this region. Q1 2015 (Jan-Mar) saw the lowest number of project launches over a period of two years in the country according to the research. However, Hyderabad contributed 14% to the total unit launches across top eight cities during the quarter. The average number of units per project was highest i.e 669 in Hyderabad as compared to Mumbai, Delhi NCR, Kolkata, Chennai, Bengaluru, Ahmedabad and Pune. Budget & BHK wise analysis of residential flats in important areas at Hyderabad are as follows.

CHANDANAGAR

Chandanagar is a suburb that has grown exponentially in the last decade and a half. Most of the development in the area is largely owned to its proximity to Hyderabad’s IT hub. Budget & BHK wise supplies of residential flats at this area are as follows.
Discussion: Properties worth Rs 20-40 lakh recorded maximum availability at 29% About 22 and 19% availability was also seen for properties worth Rs 40-60 lakh and up to Rs 20 lakh. The Locality witnessed 50% availability of 2-BHK units followed by 3-BHK category at 38% 4-BHK category stood at 12% (See Figure No: 6) Gopanapally is an area where lot of plotted development is being undertaken currently. The main advantage of the area is its proximity to the city’s financial district located. This area caters to the segment of people who wish to have a home in peaceful environment that is away from much hustle-bustle. Budget & BHK wise supplies of residential flats at this area are as follows.

Figure No 7: Budget & BHK wise supplies of residential flats at Gopanapally

Discussion: Maximum availability of properties was within Rs 40-60 lakh category at 45%, followed by properties within Rs1 crore and above at 32% About 11% was noted for Rs 20-40 lakh budget range. The locality witnessed a maximum 44% availability of 3-BHK units followed by the 2-BHK category with 31% availability. The 4-BHK category saw 23% availability. (See Figure No: 7)

Narsingi

Nursing is a village and a panchayat in Ranga Reddy district of Telangana State. Developers are involved in the construction of high-end projects. With IT companies at the convenient distance, it targets the top management of the IT companies. Budget & BHK wise supplies of residential flats at this area are as follows.
**Discussion:** The availability of properties in the budget of Rs.1 crore and above was at 50%. About 19 and 17% availability was also registered in the range of Rs 20-40 lakh and Rs 40-60 lakh range. The locality witnessed maximum availability of 4-BHK units followed by 3-BHK units. Both categories recorded 42 and 34% availability. (See Figure No: 8)

**MOOSAPET**
Located at North-West Hyderabad and nearer to Hitec City. In terms of property prices, the area is comparatively affordable hence is a preferred choice for those who cannot afford to buy nearer to Hitec City. Budget & BHK wise supplies of residential flats at this area are as follows.

**Discussion:** Properties worth Rs 40-60 lakh and within Rs.1 crore and above were available at 36 and 35% respectively. Residential units worth Rs. 60 lakhs. Rs.1 crore and Rs 20-40 lakh was available at 19 and 10%. The locality witnessed maximum availability of 3-BHK units at 56% and 2-BHK units at 39% Only 4 per cent availability was seen for 4-BHK and above category. (See Figure No: 9)

**WHITEFIELD**
Located within 5KM of distance from IT hubs such as Hitec city. The area is preferred by IT people working in the IT/ITES, BPOs and software companies. The area is a peaceful and clean residential area with necessary provisions for children and family. Budget & BHK wise supplies of residential flats at this area are as follows.
**Figure No. 10**  Budget & BHK wise supplies of residential flats at Whitefield

**Discussion:** The budget range of Rs. 60 lakh- Rs. 1 crore offers properties at 58% followed closely by Rs. 1 crore and above budget at about 23% Availability of properties within Rs. 40-60 lakh was noted at 17%. The locality witness maximum availability of 3-BHK units at 71% followed by 2-BHK category with 17% the 4-BHK category saw availability 12% (See Figure No: 10)

**TELLAPUR**
Tellapur is fast gaining importance in hyderabad’s real estate as several gated communities are underway in the area. Located in medak district, its proximity to the IT hub and business districts makes the area a good option. Budget & BHK wise supplies of residential flats at this area are as follows.

**Figure No11:** Budget & BHK wise supplies of residential flats at Tellapur

**Discussion:** Maximum availability of properties at 70% was noted within Rs.1 crore and above category. About 17% availability was recorded for properties in the Rs. 40-60 lakh range. The locality witness maximum availability of 4-BHK units at 67% followed by 3-BHK category with 24%. The 2-BHK category saw 9% availability only. (See Figure No: 11)

**YAPRAL**
Yapral is a cosmopolitan locality; it is popular amongst nonlocals and retired military personnel. It is about 11KM away from Secunderabad railway station and has easy access to Hyderabad. Budget & BHK wise supplies of residential flats at this area are as follows.
Discussion: Properties worth Rs. 60 lakh to Rs.1 crore recorded maximum availability at 60%. About 11% was noted for both categories. Rs.1 crore and above and Rs. 20-40 lakh. The locality witnessed 48% availability for 3-BHK units followed by 42% for 4-BHK category. The 2-BHK category stood at 10% (See Figure No: 12)

TOLICHOWKI
Tolichowki is one of the developed localities of the city. A premium suburb, it is located on the western part of Hyderabad. The locality is at 9-11 KM distance from IT corridors. Budget & BHK wise supplies of residential flats at this area are as follows.

Discussion: Maximum properties available were within the Rs. 1 crore and above category at 53% Properties within the Rs.40-60 lakh and Rs 60 lakh. Rs.1 crore were available at 24% and 16% respectively. The locality witnessed 37% availability of 3-BHK units. Equal availability of 37% was also noted for 4-BHK units. About 26% availability was noted for 2-BHK units. (See Figure No: 13)

Conclusion
Over the years, Indian real estate has been a seemingly limitless source of negative hype. Scams, controversies, rumblings about delayed projects, agitations by consumers and debates about the over under-regulation of the real estate sector, have all provided ready cannon fodder for countless publications, internet forums and assorted activists. Most large listed real estate developers in India today, have wholeheartedly embraced the mantra of complete transparency. They are also fighting hard to correct the structural deficiencies of the overall regulatory system, not only because their businesses are suffering but because they are being held accountable for factors which are beyond their control. They take their roles as industry stakeholders very seriously, and are among the loudest voices in the outcry for positive change at a policy and regulatory level.

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